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SUBJECT: LESOTHO JANUARY 2008 ECONOMIC ROUNDUP: TOURISM, NUTRITION,  
AND INFLATION

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11. In this edition (January 2008):

- Lesotho's First Annual Tourism Conference
- Nutrition Survey Indicates No Major Malnutrition
- GOL Promotes Improves Farming Techniques
- 2007 Quarter Four in Review (annual inflation tops 10%)

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Lesotho's First Annual Tourism Conference  
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12. The parastatal Lesotho Tourist Development Corporation (LTDC) held its first annual conference from January 23-24 to explore branding Lesotho as a tourist destination. In his opening remarks, LTDC CEO Mthwalo Mthwalo said the conference should focus on new methods to exploit Lesotho's tourism potential in order make meaningful contributions to economic growth. According to recent figures, Lesotho receives about 350,000 visitors annually (Note: This figure that likely includes a substantial number of commuters, migrant workers, and commercial border crossings, leaving few actual tourists. End Note). Lesotho generates approximately \$12 million annually through tourism related activities.

13. Various speakers pointed to a number of areas that need improvement to increase tourism, including road infrastructure, cross-border tourism connections between Lesotho and South Africa, community-based tourism destination branding, and a focus on opportunities presented by the 2010 FIFA World Cup scheduled to take place in neighboring South Africa. Addressing roads, Mr. Ernest Mokganedi of South Africa's Department of Environment and Tourism said that no investor would put funding into tourists sites such as Sethlhabathebe National Park or Semonkong Falls because of poor transportation infrastructure leading to the sites.

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Nutrition Survey Indicates No Major Malnutrition  
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14. The Government of Lesotho's Disaster Management Authority, with financial support from donors including the United States (via OFDA disaster funds), conducted a National Nutrition Survey from November 19 to December 8, 2007. Preliminary results indicate that Lesotho, despite a devastating 2006-2007 drought, is not currently experiencing generalized acute malnutrition. When comparing the 2007 survey with a similar one conducted in 2002, the results showed 18% fewer underweight women and children, as well as 26% fewer persons showing signs of wasting. In remote Mafeteng and Mokhotlong districts, however, wasting increased by 32% and 6% over the same period and there were

reports of nutrition-related deaths. Stunting rates still remain quite high throughout the country, a sign of poor nutrition, but the survey concluded that Lesotho's failed 06/07 harvest had not led to generalized malnutrition. This survey will serve as the baseline of an ongoing new nutrition monitoring system in Lesotho.

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GOL Promotes Improves Farming Techniques  
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15. As a method of addressing food insecurity, the Government of Lesotho has started to promote "block farming" techniques across the commercial, community-led, and subsistence farming sectors. The program, implemented in Lesotho's lowland districts, was launched in the wake of the severe drought which destroyed the 2006/2007 harvest. The commercial and community-led initiatives will assist approximately 3,000 hectares per district, while the subsistence farming initiative will cover an average of 2,500 hectares per district. Standard Bank will finance the commercial farm initiative, while the GOL will support the community-led and subsistence farming initiatives.

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2007 Quarter Four in Review: Rising Inflation  
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16. Lesotho's economy exhibited mixed indicators during the last quarter of 2007. The mining sector continued to display sound growth due to the continued expansion of diamond mining. Electricity consumption rose by 13.4% during the last quarter, but water consumption showed a steep decline of 54.8%, even after seasonality adjustments. This decline is likely due to the closure of three firms in the textile sector as a result of declining overseas orders. Strong consumer demand led to a 21% increase in the total value of retail sales. The telecommunications sector, measured by number of calls, rose by 2% on quarterly basis.

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17. Employment in the manufacturing sector declined by 1.4% during the last quarter due to the closure of three firms. The closure of these firms however did not, however, immediately affect overall textile exports, which remained constant (an increase in garment purchases from Europe and South Africa mitigated a decline in U.S.-based orders). Employment in the civil service and for migrant mineworkers increased by 1.2% and 0.2% respectively during the quarter.

18. The inflation rate accelerated to 9% in the last quarter, bringing the year-to-year inflation rate to 10.5% according to a Standard Bank analysis--an increase influenced by rapid price hikes in food, non-alcoholic beverages, and transportation. The price of maize meal, a staple in Lesotho, increased by 7.7%. In the financial sector, the money supply grew by 1.1% on a quarterly basis and by 37.8% on an annual basis. Domestic credit increased by 9.6% from the previous quarter. Credit extended to the private sector rose by 8.45%, while credit to statutory bodies rose by 40.9%. Net foreign assets of the banking system rose by 14% (compared with a 2.7% decline in the previous quarter). The Central Bank's net foreign assets were driven upward by the GOL's receipt of customs revenue back payments, while the foreign holdings of commercial banks rose largely due to private sector foreign currency earnings.

19. The Government of Lesotho registered a surplus in the last quarter of 2007 equal to 21.7% of GDP (mainly as a result of customs revenue back payments and a decline in foreign interest payments). Lesotho's Balance of Payments (BOP) registered a surplus of \$124.2 million, which compares very well to the \$20.1 million deficit registered in the previous quarter.

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